Tips & Tricks #37 - Practical Points, Notes and Examples

Credit Voucher
Note: A credit to completely reverse an open item is not quite the same thing as a voucher cancellation (see T&T#35). When a voucher cancellation is posted, the transaction will remove the open item (so there is nothing in the AP Open item file) but also will post an adjustment/reversing transaction to vendor history with the appropriate vendor, voucher and invoice numbers so that the original and the cancellation vouchers are linked and therefore reversed. As a result, the cancelled voucher is no longer in the Open Item file and remains only as the historical set of items including the cancellation/reversal in the Vendor History.
The credit on the other hand, is more free standing and its only relation to the original invoice is the possibility of re-using the original vendor invoice number so they are matched. However, this is entirely a choice of how to use the credit – e.g., on a one for one basis with a specific vendor invoice, or, more generally. For example, there is nothing wrong if you have five open invoices for a vendor, all with short pays and therefore still open because of vendor quality control issues you refused to pay. You could issue one credit matching the total of the short pays and by selecting both the short-paid invoices and the single credit and printing/posting a zero-dollar check, you could clear all of these open items at once.

Immediate Checks
Note: With respect to the transaction entry screen for an Immediate Check (see the screen shot in the body of the article), most of the fields related to the "voucher" side (left and upper right) and the "check" side (bottom right) of the transaction are active and it may make sense to use these fields, or not, as appropriate. For example:
- ✓ The PO fields (PO and Receiver numbers) - even if this is an Immediate Check, these fields may be useful if this shipment has been rushed through your receiving department and has receivers assigned.
- ✓ In the screen shot, the proximo terms processing flag for this voucher has been unchecked. In most cases any terms type discounts and pay-by days or dates won't apply since this is being paid immediately and terms may not really apply. There might be situations where you almost overlooked an opportunity for an early payment discount or your vendor is threatening to change your credit status and terms with them if not paid right away and you decide to do an immediate check to make the payment immediately, i.e., you are paying off-cycle from your normal check processing schedule but still want to take the normal terms for this vendor.
- ✓ Note the check number has not been assigned and like a normal pay-cycle, the check will be assigned at check-print time based on the last check number value stored in the Cash Account file for that cash account.
- ✓ Like with regular checks, the cash account to be used is initially defaulted to the one in the AP Control File but can be changed by the operator.

Negative Non-AP Check

Notes: Providing you are careful about the data you enter into this transaction (and the distribution accounts you use), using this transaction type can be a clean and self-documenting way to void a check that has been purged from the Open Item file. Most importantly, both Vendor History and the GL are updated properly. Most of the data to be entered is the same as the original voucher and check except the amounts are negative:

Step details:
- o Select Non-AP check
- o Invoice number, date, and amount should match the original, except the amount should be negative.
- o The 1099type should be the same as the original to reverse the recording of the 1099 cash payments for 1099 purposes. (Keep in mind that this transaction is a "cash" transaction, i.e., it has the same status as a check, so 1099 processing still applies.)
- o PO and Receiver numbers are irrelevant
- o Terms, dates, and amounts can be ignored except, make sure the actual discount amount taken is correct relative to the original payment. (This means that the vendor invoice amount minus the discount should equal the non-discount amount.)
- o All GL distribution accounts including the Expense, Discount, and Cash accounts, must be the same as those taken for the original, i.e., duplicate the original voucher expense-side distribution and the original cash-side distribution so that these two are reversed properly in the GL as of the current transaction date entered.
- o **Most important** - do not make the check date the same as the original unless you are actually still working in the same period as the original. For example, if the original check was issued in November, and you are now in April, doing this transaction with a November date will effectively alter any Trial balances in your GL from November forward. This will happen because the reversal transaction will generate November dated distributions which of course will be carried forward through the intervening months. If the Date Control function is turned on in the AP Control file, this off-period date will be flagged or rejected. However, if Date Controls are not turned on, these off-period dates will cause a problem. In addition, if you have closed the year and you back-post the transactions, you will be posting to a prior year. The only valid check date for non-AP transactions is within the current GL period (or the immediately prior period if it is still open). Not "correcting" the original transaction back to its original date, but instead using a current period date *is* consistent with GAAP rules.
- o While the check number used for the non-AP check can be the same as the original, it is probably better to use a fresh check number from a series you are using for one-off/manual checks, e.g., checks beginning with 9, i.e., "9xxxxxx". Having duplicate check numbers in your files can be confusing and may invite more scrutiny during an audit.